

CASE STUDY



TM Floyd & Company
Building Better Solutions

Case Summary

Client

The client is a market leader in the growing pet insurance market.

Industry

Pet Insurance

Market Position

The client is the oldest and largest pet insurance plan in the US. They insure pets throughout the country.

Consulting Need

The client needed TMF's combined expertise in the health insurance industry and the property & casualty industry to analyze its policy, claims, and billing systems and identify opportunities to utilize best practices found in health insurance

Crossing Industries

TM Floyd & Company (TMF) was engaged to evaluate the policy, billing, and claims system being used by a pet insurer and to compare its features with those of current human oriented healthcare policy, billing, and claims (HOHC) processing systems. The goal was to discover how and if the client's system could be enhanced to take advantage of the functional architecture found in modern HOHC systems.

The development of pet insurance since the early 1980's has largely followed a property and casualty insurance model. State insurance regulations treat pets as property, so for regulatory purposes, pet insurance is very different from human health insurance.

In part because pet insurance has not been confined by the regulations affecting health insurance, the pet insurance industry has also not adopted some of the more important structural aspects found in human healthcare that facilitate electronic claims submissions and auto-adjudication.

The Problem

The client was using a policy, billing, and claims system from a vendor which traditionally marketed its software to the property and casualty industry. The client and the vendor recognized a seemingly excessive amount of manual processing of claims within this system.

They understood that the human health insurance industry has made great strides in decreasing the amount of manual processing needed. The vendor was additionally concerned that the client was not fully utilizing aspects of its system that do incorporate best practices of human health insurance systems. With its experience solving systems issues in the health and property and casualty industries, TMF was enlisted to evaluate the client's system and identify areas of improvement.

Property and Casualty vs. Health Claims Processing Systems

Regulations have been a prime factor in creating distinctions between processing property and casualty claims and health claims. Federal regulations, including HIPAA, have required standardization in electronic transfers of health claims between providers and payers and placed processing constraints on health claims. On the other hand, property and casualty carriers have to compensate for a myriad of state regulations, which add complexity to the adjudication process for claims.

Standardization of health claim submissions was necessary, because there are often multiple parties involved in the processing of a health claim. A health claim will typically be submitted by a provider through a clearinghouse to an insurance carrier. Information may be electronically exchanged between the insurance carrier and other carriers or the provider multiple times before the claim is completely processed. Standardized communications among entities in healthcare has also encouraged the adoption of common sets of procedure and diagnosis codes, which have broad internal and external auto-adjudication benefits.

The submission process for a property claim is less involved; however, the need for standardization may be greater. An entity will incur a covered loss and submit a claim by phone, fax, Web, or mail to the carrier. For the most part, there is not a need for electronic transmission to other entities. Although a property and casualty carrier will have a pressing need for standardization to help automate aspects of its internal adjudication process, standardization is difficult to accomplish given the disparate submission requirements imposed by state laws.

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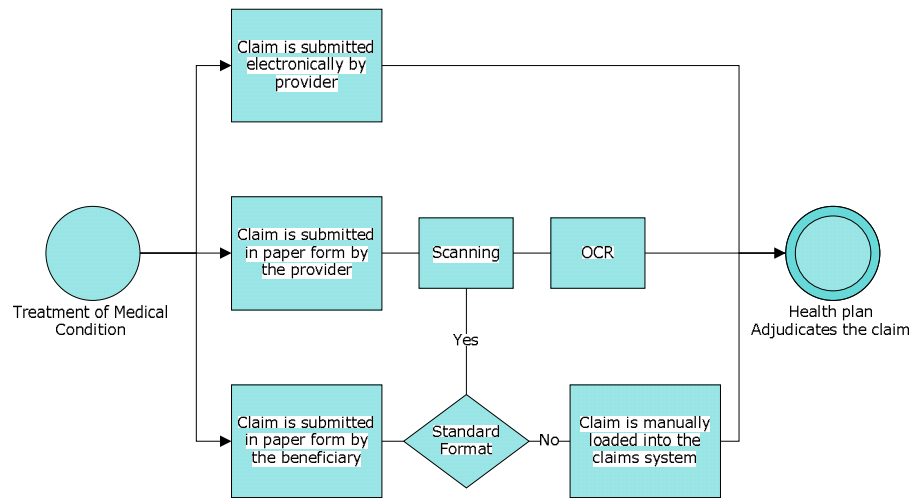
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The Solution

Under a tight timeframe, TMF performed a thorough evaluation of the client's policy, billing, and claims system and documented several necessary changes to enable the client to incorporate the best system practices found in human healthcare.

Principally lacking in pet insurance is codification of diagnoses and procedures. Auto-adjudication requires some level of codification around which a claims processing engine can be developed. If the verbiage used to describe diagnoses and procedures is not standardized, then every claim would need to be visually processed and interpreted. Codification, coupled with standard claim forms (another improvement proposed by TMF), also increases the accuracy of scanning and optical character recognition (OCR) functions used when electronic claims submission is not possible.



Human Healthcare Claim Submission

The movement for increasing electronic claims submissions in the pet insurance industry is going to take buy-in from veterinarians. Several recommended improvements offered by TMF revolved around adding value for veterinarians and pet owners. While health insurers are entrenched in human healthcare and, unfortunately, lack a driving motivation to add value to medical treatment process, pet insurers operate, to a greater degree, outside of the treatment cycle.

Pet insurers must, therefore, bring a value proposition to entice veterinarians and pet owners. The client's most plentiful resource with the potential to increase value is its claims data. With effective data mining processes, TMF suggested that the client could provide valuable research needed to improve the quality of care and reduce costs.

With the analysis provided by TMF, the client is on its way to bringing the best practices of human health insurance to pet insurance.